

REPORT OF THE VERIFICATION COMMISSION - JUNE 2013

The Verification Commission met in Athens in June 2013. Present were Chairman Graham Boxall, Joran (JJ) Aulin-Jansson and Ruth Haring.

Audit Report

Ernst & Young Limited, having audited FIDE's financial statements for the year ended 31 Dec 2012, confirmed that they complied with Swiss law and FIDE's own Financial Regulations.

The Commission's Objectives

As required by FIDE's statutes, the Commission embarked on the task of verifying the Treasurer's annual accounts and financial statements and, after reviewing the external audit report, reports on the following matters of interest.

Membership and Other Fees

FIDE's statutes refer to regular review of membership fees. They were last reviewed in 2004. The Commission is of the opinion that in the succeeding years circumstances of the many and various member federations may have changed so that a further review, both of membership fees and other fees including rating fees and tournament fees, is now necessary.

Write-Offs

The unusual amount of write-offs in 2012 was examined by the Commission. The significant ones involved, firstly, outstanding payments due by an individual, or his corporately-owned trading vehicle, in the aggregate sum of 118,000 euros for un-reimbursed prize monies and other expenses disbursed by FIDE in the Women's World Championship held in Albania in 2011. On inquiry of the Treasurer, the Commission was assured that FIDE had every intention of pursuing the debtor for repayment despite writing off the debt in the accounts. If FIDE is not successful in obtaining settlement by other means, it is prepared to engage in legal proceedings.

Secondly, it appears that FIDE is owed 67,308.44 euros by the sponsor of the Women's Grand Prix held in Rostov in Russia in 2011. An approach similar to the one taken above is being taken in respect of this debt. FIDE will make a further attempt, limited in time, to obtain settlement following which the debt will be pursued to recovery.

The third significant write-off relates to the subsidies provided to the Chess in Schools pilot projects in Slovakia and Slovenia in the total sum of 87,407.64 euros. It is not intended to take any action to recover that sum other than continuing the program of the Chess in Schools Commission in those countries. No predictions can be made about what returns, if any, FIDE will receive from those projects.

Chess in Schools

A great deal of time, energy and resources has been spent on the Chess in Schools project during the year under review. A total of approximately 600,000 USD has been received by FIDE by way of sponsorship of the project by Rosneft, the government-controlled Russian oil company. After taking into account a further sum of 50,000 USD agreed by FIDE to be used by Global Chess for training, the sum of 100,000 USD remained out of Rosneft's generous donation of 750,000 USD for this purpose at the end of 2012. The payments are routed through and paid to FIDE by Global Chess and then placed at the disposal of the Chess in Schools Commission. The sum of 197,116.03 euros remained unspent on 31 December 2012. We have examined the receipts and payments ledger relating to the project in addition to other documents. Much appears to have been achieved in the way of dissemination of information, materials and documentation in various parts of the world during the year. The Commission believes it would be of interest to the General Assembly to receive a report in greater detail than we can provide, on the progress of the CIS project and its use of the funds allocated to it.

We mention in passing that we have suggested that originals of all contracts entered into in relation to the Chess in Schools project be held by FIDE in Athens.

Contracts

The Commission wishes to remind those who give of their time and skills on behalf of FIDE in very many ways that only the President and, in his absence, the Deputy President have authority to commit FIDE contractually except where the latter have expressly delegated specific tasks, including the signing of contracts, to other FIDE officials on their behalf.

Moscow Office

The Moscow office moved premises during the year under review. All expenses related to it except the remuneration and travel expenses of the two FIDE employees located there are paid by Chess Lane, as referred to in our 2012 report. It does not appear to us that the arrangement has given rise to any issues in 2012. We understand that the General Assembly will receive a more detailed report on the work done in and from the Moscow office.

Financial Results

Both expenditure and income have increased during the year. The amount of the increase in income has, we are pleased to see, exceeded the Treasurer's budgeted expectations by a considerable margin. The confidence he expressed at the Commission's meeting in Istanbul on the 3rd of September 2012 about the replenishment of FIDE's resources has been largely justified. Not least significant in that context has been the substantial reduction in contentious legal costs during the year. Generally speaking, the increase in expenditure reflects a welcome increase in the core activities of the organization relating to the servicing of events and membership generally. In this connection we should

mention that the increase in expenses of the Elista office reflects the sterling work done there on FIDE's behalf.

The activity expenditure has been more than matched by a commensurate increase in receipts from those activities including, in particular, the Olympiad and World Championship match.

Miscellaneous

The Commission was disappointed to see documentation evidencing a small but long-outstanding debt due by a former Vice President (repaid we are told, in the year subsequent to the one under review) and a larger amount due by a current Vice President for payment of travel tickets bought but then not used by him. We have been assured that steps are being taken to rectify the position and we recommend that a careful eye be kept on the position in the meantime.

The Secretariat in Athens

Because of the welcome increase in the scope of activity referred to above and the enormous proliferation of transactions facilitated by and recorded at the office of the Secretariat in Athens, it has become a priority, in the opinion of the Commission, that some additional staff and resources be provided in order to cope with the growth and to continue the smooth and efficient running of the organization. It seems to us that detailed recommendations on this matter are beyond the scope of the Commission's brief but we strongly recommend that urgent attention be given to examining and deciding on where and how such additional resources be allocated. In this connection we have been favourably impressed by the work done and results achieved by the Project Officer, following his period as Executive Director up to November 2011. It appears to us that his in-depth experience of and familiarity with the running of the various parts of the organization make him ideally suited to examine and report on this matter.

As before, we record our thanks to the staff at the Athens office and elsewhere for supplying the enormous amount of information and paperwork looked at by us in the course of preparing our report.